

SCHEDULE 8

QUOTED COMPANIES: DIRECTORS' REMUNERATION REPORT

PART 2

INFORMATION NOT SUBJECT TO AUDIT

Consideration by the directors of matters relating to directors' remuneration

2.—(1) If a committee of the company's directors has considered matters relating to the directors' remuneration for the relevant financial year, the directors' remuneration report must—

- (a) name each director who was a member of the committee at any time when the committee was considering any such matter;
- (b) name any person who provided to the committee advice, or services, that materially assisted the committee in their consideration of any such matter;
- (c) in the case of any person named under paragraph (b), who is not a director of the company, state—
 - (i) the nature of any other services that that person has provided to the company during the relevant financial year; and
 - (ii) whether that person was appointed by the committee.

(2) In sub-paragraph (1)(b) "person" includes (in particular) any director of the company who does not fall within sub-paragraph (1)(a).

Statement of company's policy on directors' remuneration

3.—(1) The directors' remuneration report must contain a statement of the company's policy on directors' remuneration for the following financial year and for financial years subsequent to that.

(2) The policy statement must include—

- (a) for each director, a detailed summary of any performance conditions to which any entitlement of the director—
 - (i) to share options, or
 - (ii) under a long term incentive scheme,is subject;
- (b) an explanation as to why any such performance conditions were chosen;
- (c) a summary of the methods to be used in assessing whether any such performance conditions are met and an explanation as to why those methods were chosen;
- (d) if any such performance condition involves any comparison with factors external to the company—
 - (i) a summary of the factors to be used in making each such comparison, and
 - (ii) if any of the factors relates to the performance of another company, of two or more other companies or of an index on which the securities of a company or companies are listed, the identity of that company, of each of those companies or of the index;
- (e) a description of, and an explanation for, any significant amendment proposed to be made to the terms and conditions of any entitlement of a director to share options or under a long term incentive scheme; and

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- (f) if any entitlement of a director to share options, or under a long term incentive scheme, is not subject to performance conditions, an explanation as to why that is the case.
- (3) The policy statement must, in respect of each director's terms and conditions relating to remuneration, explain the relative importance of those elements which are, and those which are not, related to performance.
- (4) The policy statement must summarise, and explain, the company's policy on—
 - (a) the duration of contracts with directors, and
 - (b) notice periods, and termination payments, under such contracts.
- (5) In sub-paragraphs (2) and (3), references to a director are to any person who serves as a director of the company at any time in the period beginning with the end of the relevant financial year and ending with the date on which the directors' remuneration report is laid before the company in general meeting.

Statement of consideration of conditions elsewhere in company and group

4. The directors' remuneration report must contain a statement of how pay and employment conditions of employees of the company and of other undertakings within the same group as the company were taken into account when determining directors' remuneration for the relevant financial year.

Performance graph

- 5.—(1) The directors' remuneration report must—
- (a) contain a line graph that shows for each of—
 - (i) a holding of shares of that class of the company's equity share capital whose listing, or admission to dealing, has resulted in the company falling within the definition of "quoted company", and
 - (ii) a hypothetical holding of shares made up of shares of the same kinds and number as those by reference to which a broad equity market index is calculated,a line drawn by joining up points plotted to represent, for each of the financial years in the relevant period, the total shareholder return on that holding; and
 - (b) state the name of the index selected for the purposes of the graph and set out the reasons for selecting that index.
- (2) For the purposes of sub-paragraphs (1) and (4), "relevant period" means the five financial years of which the last is the relevant financial year.
- (3) Where the relevant financial year—
- (a) is the company's second, third or fourth financial year, sub-paragraph (2) has effect with the substitution of "two", "three" or "four" (as the case may be) for "five"; and
 - (b) is the company's first financial year, "relevant period", for the purposes of sub-paragraphs (1) and (4), means the relevant financial year.
- (4) For the purposes of sub-paragraph (1), the "total shareholder return" for a relevant period on a holding of shares must be calculated using a fair method that—
- (a) takes as its starting point the percentage change over the period in the market price of the holding;
 - (b) involves making—
 - (i) the assumptions specified in sub-paragraph (5) as to reinvestment of income, and
 - (ii) the assumption specified in sub-paragraph (7) as to the funding of liabilities, and

- (c) makes provision for any replacement of shares in the holding by shares of a different description;

and the same method must be used for each of the holdings mentioned in sub-paragraph (1).

(5) The assumptions as to reinvestment of income are—

- (a) that any benefit in the form of shares of the same kind as those in the holding is added to the holding at the time the benefit becomes receivable; and
- (b) that any benefit in cash, and an amount equal to the value of any benefit not in cash and not falling within paragraph (a), is applied at the time the benefit becomes receivable in the purchase at their market price of shares of the same kind as those in the holding and that the shares purchased are added to the holding at that time.

(6) In sub-paragraph (5) “benefit” means any benefit (including, in particular, any dividend) receivable in respect of any shares in the holding by the holder from the company of whose share capital the shares form part.

(7) The assumption as to the funding of liabilities is that, where the holder has a liability to the company of whose capital the shares in the holding form part, shares are sold from the holding—

- (a) immediately before the time by which the liability is due to be satisfied, and
- (b) in such numbers that, at the time of the sale, the market price of the shares sold equals the amount of the liability in respect of the shares in the holding that are not being sold.

(8) In sub-paragraph (7) “liability” means a liability arising in respect of any shares in the holding or from the exercise of a right attached to any of those shares.

Service contracts

6.—(1) The directors’ remuneration report must contain, in respect of the contract of service or contract for services of each person who has served as a director of the company at any time during the relevant financial year, the following information—

- (a) the date of the contract, the unexpired term and the details of any notice periods;
- (b) any provision for compensation payable upon early termination of the contract; and
- (c) such details of other provisions in the contract as are necessary to enable members of the company to estimate the liability of the company in the event of early termination of the contract.

(2) The directors’ remuneration report must contain an explanation for any significant award made to a person in the circumstances described in paragraph 15.